



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	HB0547	<b>Title:</b>	Revise eligible billing item laws under medicaid
<b>Primary Sponsor:</b>	Schwaderer, Nicholas	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$477,864	\$404,999	\$428,968	\$454,706
Federal Special Revenue	(\$102,664)	(\$404,999)	(\$428,968)	(\$454,706)
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$102,664)	(\$404,999)	(\$428,968)	(\$454,706)
<b>Net Impact-General Fund Balance:</b>	<u>(\$477,864)</u>	<u>(\$404,999)</u>	<u>(\$428,968)</u>	<u>(\$454,706)</u>

**Description of fiscal impact:** HB 547 requires that certain diabetic supplies be treated as prescription drugs in the Montana Medicaid program. This change would result in the loss of federal financial participation and move the costs to 100% general funding.

### FISCAL ANALYSIS

#### Assumptions:

1. Health Resources Division
  - a) The total annual cost for these diabetic supplies was \$523,226 in FY 2014 and is anticipated to increase 6% per year based on the historical Medicaid growth patterns.
  - b) Federal Law (42USC1396r-8) sets forth the requirements for payment of covered outpatient drugs. Durable Medical Equipment (DME), which includes insulin syringes, insulin pen needles, and blood glucose test strips, are not considered covered outpatient drugs under this definition, and therefore would not be eligible for Federal Financial Participation (FFP). Funding for these diabetic supplies would need to be paid exclusively from the general fund.

HB-547					
	Total Cost	General Fund	Federal Fund	state percent	federal percent
Diabetic Supplies <u>Under Current Law:</u>					
FY14	523,226	176,589	346,637	33.75%	66.25%
FY15	554,620	189,014	365,605	34.08%	65.92%
FY16	587,897	203,883	384,014	34.68%	65.32%
FY17	623,171	218,172	404,999	35.01%	64.99%
FY18	660,561	231,593	428,968	35.06%	64.94%
FY19	700,194	245,488	454,706	35.06%	64.94%
<u>Under HB-547:</u>					
FY14	523,226	176,589	346,637	33.75%	66.25%
FY15	554,620	189,014	365,605	34.08%	65.92%
FY16	587,897	587,897	0	100.00%	0.00%
FY17	623,171	623,171	0	100.00%	0.00%
FY18	660,561	660,561	0	100.00%	0.00%
FY19	700,194	700,194	0	100.00%	0.00%

2. The current Medicaid Information System (MMIS) does not have this functionality. The programming costs for this requirement would 3,000 hours x \$125.00 per programming hour = \$375,000.
  - a) Programming costs are funded at 25% general fund and 75% federal funds.
  - b) The funding would be \$375,000 x 25% = \$93,750 general fund and \$375,000 x 75% = \$281,250 federal funds.
- 3) Administrative Rules
  - a) Changes would be required in administrative rules to affect the requirements of this bill. It is estimated that four pages of rules would need to be printed and published. The Secretary of State's office charges \$50 per page for printing and publication. Total cost of printing and publication of administrative rules pages is \$200. This cost would be absorbed within existing resources.

	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>	<b><u>FY 2018 Difference</u></b>	<b><u>FY 2019 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$375,200	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$375,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$477,864	\$404,999	\$428,968	\$454,706
Federal Special Revenue (03)	(\$102,664)	(\$404,999)	(\$428,968)	(\$454,706)
<b>TOTAL Funding of Exp.</b>	<b>\$375,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$102,664)	(\$404,999)	(\$428,968)	(\$454,706)
<b>TOTAL Revenues</b>	<b>(\$102,664)</b>	<b>(\$404,999)</b>	<b>(\$428,968)</b>	<b>(\$454,706)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$477,864)	(\$404,999)	(\$428,968)	(\$454,706)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. There is a legal question regarding the ability for a non-pharmacy Durable Medical Equipment (DME) provider to dispense insulin syringes, insulin pen needles, and blood glucose test strips if the items are classified as drugs. Currently, pharmacies are allowed to enroll as Medicaid DME providers. In FY 2014, 239 Medicaid enrolled providers dispensed the DME items specified in the bill. Of those providers, 166 (69%) are pharmacies, and 73 (31%) are not pharmacies. The annual average claim count for the items specified in the bill is 12,133 claims. Pharmacies make up approximately 9,057 (75%) of the claims, and 3,076 (25%) of these claims come from organizations that are not a pharmacy.
2. The department's enterprise claim processing system will have the ability to process durable medical equipment claims through the point of sale. This ability will offer a level of transparency to pharmacies by providing real time claims adjudication similar to how they process pharmacy claims today. Estimated completion date is July, 2016.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*